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FM THE SITUATION ROOM//TOHAK 02//

TO PAUL BARBIAN FOR THE SECRETARY

T O P S E C R E T SENSITIVE CONTAINS CODEWORD EXCLUSIVELY EYES ONLY

NOFORN DELIVER AT OPENING OF BUSINESS VIA BLACK PATCH WH60154

TOHAK 02

FEBRUARY 7, 1976

MEMORANDUM FOR: THE PRESIDENT
FROM: BRENT SCONECROFT
SUBJECT: INFORMATION ITEMS

State Dept. review completed

FIRST FRENCH REACTIONS TO CONCORDE DECISION: EMBASSY
PARIS REPORTS THAT THE REACTION OF GOVERNMENT AND AVIA-
TION OFFICIALS TO SECRETARY COLEMAN'S DECISION HAS
BEEN GENERALLY POSITIVE, BUT WITH MANY RESERVATIONS.
THE FRENCH ARE DISAPPOINTED THE DECISION DOES NOT
REPRESENT UNQUALIFIED APPROVAL. THEY MUST DECIDE
WHETHER TO EXTEND CONCORDE PRODUCTION AND HOW TO
HANDLE COSTS INCURRED IN BEGINNING CARRIER OPERATIONS
TO THE U.S. FOR A PERIOD WHICH MIGHT NOT EXCEED 16
MONTHS. THEY WANT TO BE CLOSELY ASSOCIATED WITH U.S.
MONITORING OF THE ENVIRONMENTAL IMPACT OF THE SST AT
JFK AND DCA. THEY FEEL IT WILL BE MORE DIFFICULT
TO MARKET STILL UNSOLD CONCORDES, AS LONG AS IT IS
UNCERTAIN WHETHER THE AIRCRAFT CAN FLY TO THE U.S.
BEYOND THE 16-MONTH LIMIT. ON THE POSITIVE SIDE,
MANY FEEL THE TIME LIMIT WILL ENABLE AIR FRANCE TO
DEMONSTRATE THE COMMERCIAL WORTH OF THE CONCORDE AND
ITS LACK OF SIGNIFICANT ENVIRONMENTAL EFFECTS.

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U.S. POSITION WITH RESPECT TO SEAT COUP PLOTTING:

THE STATE DEPARTMENT SENT A CABLE TO

* * * * * WHSR COMMENT * * * * *

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***** T O P S E C R E T *****S COPY

EMBASSY BANGKOK ON FEBRUARY 5 OUTLINING OUR OPPOSITION
TO ANY MILITARY COUP ATTEMPT IN THAILAND. THE KEY POINTS
ARE:

- A MILITARY COUP OR OTHER EXTRA-CONSTITUTIONAL
ACTION IN THAILAND WOULD HARM OUR POLICY INTERESTS
AND OBJECTIVES. SUCH ACTION WOULD POLARIZE THE
POLITICAL SITUATION AND PLAY INTO THE HANDS OF
THE COMMUNISTS.
- A COUP WOULD PROVIDE FURTHER DISINCENTIVE FOR
FOREIGN INVESTMENT IN THAILAND AND WOULD SIG-
NIFICANTLY ERODE SUCH SUPPORT AS THAILAND ENJOYS
IN THE CONGRESS.
- CONSEQUENTLY, THAI CIVILIAN AND MILITARY OFFICIALS
SHOULD, AS APPROPRIATE, BE LEFT WITH NO ILLUSIONS
AS TO OUR POSITION ABOUT COUPS.

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PAGE 02

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***** T O P S E C R E T *****3 COPY

EAST ASIAN ECONOMIES REBOUND: THE ECONOMIES OF TAIWAN, HONG KONG, AND SOUTH KOREA HAVE REBOUNDED STRONGLY IN RECENT MONTHS AND SEEM LIKELY TO REGISTER SIZEABLE GAINS THIS YEAR. BY SACRIFICING GROWTH FOR ECONOMIC STABILITY, TAIWAN AND HONG KONG HAVE SUBSTANTIALLY REDUCED THEIR TRADE AND PAYMENTS DEFICITS. RELYING MAINLY ON MARKET FORCES TO DAMPEN DOMESTIC DEMAND, BOTH GOVERNMENTS EFFECTIVELY TRIMMED IMPORTS IN THE FACE OF SAGGING DEMAND FOR THEIR EXPORTS. THE TWO GOVERNMENTS ALSO SLOWED INFLATION. CONSUMER PRICES IN TAIWAN INCREASED ONLY FIVE PERCENT LAST YEAR, COMPARED TO 48 PERCENT IN 1974. IN HONG KONG, PRICES ROSE ONLY TWO PERCENT, DOWN FROM 14 PERCENT IN 1974. THE COST OF CONTINUING INFLATION AND PAYMENTS DEFICITS WAS HIGH. REAL GROSS NATIONAL PRODUCT ROSE LESS THAN THREE PERCENT IN TAIWAN, AND HONG KONG REGISTERED ZERO GROWTH. THE TWO HAD ANNUAL REAL GROWTH RATES OF ABOUT TEN PERCENT AND EIGHT PERCENT RESPECTIVELY DURING THE PREVIOUS TEN YEARS.

SOUTH KOREA ADOPTED A DIFFERENT STRATEGY FOR DEALING WITH THE EFFECTS OF THE WORLD RECESSION. SEOUL UNTIL MID-1975 FOLLOWED A COURSE DESIGNED TO PROP UP OUTPUT AND EMPLOYMENT AND KEEP ITS AMBITIOUS DEVELOPMENT PROGRAM ON TRACK. WITH EXPORTS DROPPING SHARPLY AND IMPORTS CLIMBING TO RECORD HIGHS, SEOUL WAS JOLTED WITH A DEFICIT OF 31.7 BILLION IN THE FIRST HALF OF 1975. SHIFTING GEARS, SEOUL TIGHTENED UP ON IMPORTS AND INTENSIFIED ITS DRIVE TO INCREASE OVERSEAS SALES. TRADE TURNED AROUND IN THE SECOND HALF OF 1975, AND THE PAYMENTS DEFICIT NARROWED TO ONLY \$300 MILLION. SALES TO THE U.S. AND JAPAN SURGED. TIGHT CREDIT RESTRICTIONS AND TAX IN-

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***** T O P S E C R E T *****S COPY

CREASES HELPED SLOW PRICE INCREASES TO A 25 PERCENT
ANNUAL RATE BY THE END OF THE YEAR.
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